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PROPOSED ENHANCEMENT PROGRAM FOR CREDITORS AND BORROWERS BASED ON RISK MANAGEMENT INSIGHTS IN CLIENT APPRAISAL

MARISSA GARSUTA[1],
KAREN LABOR[1], MAR FERMINO[1]
[1]College of Business and Accountancy,
University of Bohol, Tagbilaran City, Bohol

Corresponding Authors: kclabor@universityofbohol.edu.ph

ABSTRACT

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Keywords— Credit Risk Management, Credit Practices, Credit Appraisal, Microfinance, Adopted Community

Microfinancing institutions play a vital role in supporting community borrowers by providing short-term loans to address gaps in funding for household expenses, education, entrepreneurial initiatives, and other essential expenditures when primary income sources are insufficient. This study examines credit appraisal practices as a risk management strategy among microfinance institutions operating within the adopted communities of the College of Business and Accountancy, Teachers College, and the College of Arts and Sciences at the University of Bohol. This study employed a mixed-methods methodology and collected data from 71 participant-borrowers by administering surveys and conducting in-depth interviews. The creditors agree to the practice of credit appraisal to check the borrower's capacity to pay, mainly as part of credit risk management. Similarly, credit appraisal is a generally accepted practice among community borrowers where past payment behavior and means to pay are factors. The results showed

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no significant difference between the parties involved in providing short-term credit to community borrowers, typically agreeing with the conduct of credit appraisal as required by the MFIs. This study suggests a program to strengthen borrowers' financial literacy through seminars to better credit handling behaviors and implement flexible payment terms with the MFIs, incorporating income cycles with the leveraging of technology to monitor credit in real-time. The creation of cooperatives and collective savings clubs are future opportunities to enhance community resilience and accountability.

INTRODUCTION

The World Economic Situation and Prospects alerted in 2024 to the state of the world economy, in which a looming global economic crisis would become a deterrent to the Sustainable Development Goals (SDGs). Financial resources have been in increasing demand over time to support the world's flourishing economy. Consequently, risks and vulnerabilities are inevitable, and addressing them through mitigation is a natural course of action. This type of economic condition affects global trade and industry, where global GDP will decrease by .3% in 2024 from its base year of 2023 when it was 2.7% (United Nations, 2024). Growth and development analysts are encountering various challenges due to the recent performance of the Philippine economy. Since the debt crisis in the mid-1980s, the country has been labeled the "sick man of Asia" (Balisacan & Hill, 2003). However, over the past ten years, the economic outlook has improved significantly, positioning the Philippines as a leading performer in Asia's growth rankings. This appeared on several lists of promising emerging economies, such as Time Magazine's "PINEs," Goldman Sachs' "Next-Eleven," and Turner Investment Partners' "TIMPs" (Turkey, Indonesia, Malaysia, Philippines) (Tuaño & Cruz, 2023).

Microfinance is a service that is financial in nature which provides short-term loans and assistance to people facing financial challenges and those without traditional access to banking. Financial literacy means understanding and using financial skills effectively. It is part of the University of Bohol's social responsibility to its adopted communities to help solve the problem of poverty by educating community members to manage their finances, fulfilling their credit obligations to microfinance institutions, and leading them in the effective use and management of economic capital.

Based on the study's findings, an enhancement program will help improve credit management and practices for community members. These recommendations will empower each community member to overcome specific problems while at the same time taking advantage of the emerging community growth and opportunities. Integrating evaluation and monitoring will help improve management practices and overall financing performance among community members. The goal of this study is to assess the credit appraisal as part of the credit management and practices of selected community members

in Bohol, and this will help create a program to improve their quality of life.

Theoretical Background . Cost Theory. Ferris (1981) claims that trade credit benefits buyers because it offers financing and helps sellers cut costs. It indicates that trade credit can decrease the expenses related to paying bills.

Cognitive Theories. Jean Piaget (1930) believed that learning happens through two processes: assimilation (incorporating new experiences into existing knowledge) and accommodation (adjusting our understanding to fit new experiences). The interaction between these two processes leads to short-term learning and long-term growth, the main focus of Piaget's cognitive theory (Scott & Cogburn, 2023).

Hierarchy of Needs Theory. Abraham Maslow (1943) created the "Hierarchy of Needs," a model that ranks human needs from the most basic to the most advanced. Maslow asserted that basic needs are the base of the hierarchy of needs before individuals can concentrate on higher-level needs. However, he noted that one can only complete some of their basic needs to progress in the pyramid. For example, someone may be a little hungry and still able to learn, but being constantly hungry can interfere with that ability(Maslow, 1943) .

Agency Theory. Jensen and Meckling (1976) created agency theory, which states that when a company is first established, the owners often serve as its managers. As the company grows, the owners hire managers to operate it. The owners expect these managers to act in their best interests, forming an agency relationship (Jensen & Meckling, 1976).

Legal Bases. The Sustainable Development Goals (SDGs) aim to improve the world by fighting poverty and inequality, protecting the environment, and ensuring everyone's access to health, justice, and prosperity. Sustainable Development Goal 1 focuses on ending all kinds of poverty. People with lower incomes and the vulnerable are priority beneficiaries of their enhanced access to essential services and support, giving more allowance for those impacted by climate-related disasters. Sustainable Development Goal 8 talks about decent work and economic growth, where entrepreneurship and job creation measures to effectively eradicate forced labor, slavery, and human trafficking so that by 2030, the goal is to hit the target that all men and women will be productive with decent work or employment. Sustainable Development Goal 10 seeks to reduce inequality within countries and globally. It aims to close income gaps and improve inclusivity so that everyone has a fair chance to succeed. Sustainable Development Goal 17 emphasizes collaboration and resource-sharing as essential to successfully achieving all other SDGs, recognizing that no single country or organization can solve global challenges alone.

Republic Act No. 9510, also known as the Credit Information System Act, centralizes the monetary and credit system. Sharing accurate credit information helps businesses access credit more easily and affordably. Consequently, the traditional collateral requirement is reduced. By protecting consumers and promoting fair competition, it strengthens the financial system.

Republic Act No. 3765 protects borrowers by ensuring transparency in lending and promoting fair lending practices. It helps borrowers make informed credit decisions and amends the previous Truth in Lending Act.

The Republic Act 10744 strengthens the creditworthiness of cooperative surety funds (CSFs) that struggle to obtain loans because they lack adequate collateral and a solid credit history. This act modifies the Credit Surety Fund Cooperative Act of 2015.

Overall, these laws set up a system that enhances business services while ensuring the protection of human rights.

Related Literature. According to Ross et al. (2008), credit management has its specific control option; several organizations, especially those within the same industry, may use the same decision template. The debtor's capability to make payments is the basis of grouping debt into three groups: good, doubtful, and terrible (Muritala & Taiwo, 2013). According to Uzoh (2012), losses from poor or questionable debts depend on many factors, including the buyer's country, the standard of accounts the company takes, and credit management techniques.

Risks are always present in financial transactions, and effective management involves mitigating these risks. The Financial Risk Management Association emphasizes that understanding the borrower is the first step in reducing the risk of default. Companies evaluate through the "Five Cs of Credit": character, capacity, capital, collateral, and conditions. Evaluation through the Five Cs helps predict a borrower's future payment behavior by factoring in historical payment patterns and financial position at the time of credit application. Moreover, evaluating financial risk involves identifying existing and potential risks and finding ways to reduce them. It includes raising credit score requirements or diversifying investments.

Based on a debtor's capability to make payments, it may divide debt into three different groups: good, doubtful, and terrible. According to Uzoh (2012), the level of losses from poor or questionable debts depends on many factors, including the buyer's country, the standard of accounts the company takes, and credit management techniques.

According to the Basel III framework, credit risk is the probability of defaulting by not paying when the agreed payment is due. Credit risk assessment evaluates whether a borrower is capable and willing to repay a loan by comparing their risk to the lender's criteria at the time of approval and throughout the loan term. By managing credit risk effectively, banks can boost their profits by regulating the risk they are willing to accept. It addresses risks from individual loans as well as the entire loan portfolio. Sound credit risk management is key for a bank's success and economic growth, with everyone involved, especially the board and top managers.

Credit information and scoring provide different insights into a prospective customer's creditworthiness. The evaluation of credit quality based on specific criteria affects the creditor's extension of loans to loan applicants

(Ifurueze, 2013).

Financial risk management empowers disadvantaged people to support sustainable development, while institutions aim to reduce poverty raise awareness and (Perways & Krishna, 2017).

Related Studies. According to Mbah and Wasum (2019), a study titled "Microfinance Survival: The Impact of Credit Management on the Sustainability of Microfinance Institutions in Cameroon". They found shortcomings, including high provision, inadequate recovery procedures, credit officers' lack of practices and knowledge to a relevant degree, manual loan execution, slow credit management procedures, consumers acting in bad faith, and inadequate loan follow-up.

Alta'ani and Dali (2020), a study titled "Does the credit risk management affect the financial performance of banks?" The findings include a negative relationship between the cost per loan ratio and ROA, ROE, and TQ and a positive correlation between the capital adequacy ratio and ROA and ROE. It also positively affects the financial level of bank size or TQ. However, the reservation ratio for loan losses has a negative effect. Islamic banks manage credit risk better than conventional banks. Future research could look at all sectors of the Amman Stock Exchange since this study only examined the banking industry.

"Influence of Credit Management on the Financial Performance of Dairy Marketing Cooperatives in Kenya," found that effective credit management significantly impacts return on investment. He suggested that cooperative members receive more seminars and training on credit control (Gitau, 2021).

According to Ndichu (2021), a study titled "Effect of Credit Management Practices on Loan Performance in Help Groups in Kenya (Doctoral dissertation, KCA University)" found out the conclusion of the study emphasized credit terms like credit period, interest rate and fees, payback schedule, and information about penalties is a recommendation for imposition by SHG leaders in Kenya to minimize default of borrowers. Furthermore, the Self-Help Group (SHG) leaders in Kenya should carefully assess the client's ability to repay the loan to ensure timely payment.

Sola (2021) conducted a study titled "Impact of Credit Management Strategies on Loan Performance Among Microfinance Banks in Nigeria." He found that banks in Nigeria should implement strict client appraisal procedures to improve loan performance.

Karanja and Simiyu (2022), in their study titled "Credit Management Practices and Loan Performance of Microfinance Banks in Kenya," found that microfinance banks' credit policies and decision-making impact loan performance. They recommend developing and implementing effective credit risk management practices, mainly using information systems.

Hassan and Mago (2023), in their study titled "Determinants of Credit Management Practices and Their Effectiveness for Small and Medium-Sized Enterprises (SMEs) Sustainability in UAE," found the emphasis on the need

for a robust credit management strategy with a design to adjust with changes systematically. The financial market, with many factors for its composition, is constantly changing. The end effect on current assets is a foremost concern in the perpetuity of operations. Because of this, the researchers signify the importance of monitoring credit sales and collecting balances with past due dates. Such findings will help UAE SMEs adopt better credit management practices and improve their performance.

Maina and Njeru (2023) study titled "Influence of Credit Risk Management Practices on Loan Recovery Performance of Registered Digital Credit Providers in Kenya." The findings show a strong positive correlation between various factors in credit procedures, which significantly influence loan recovery performance. The results indicated that the independent variables predict loan recovery performance (ANOVA results: $F=4.691$, $p < 0.0005$). Specifically, a one-unit increase in credit procedures, appraisal, monitoring, or recovery systems improves loan recovery performance by 0.334, 0.372, 0.319, and 0.368, respectively. Future research should focus on studying risk management to identify and address existing issues.

Statement of the Problem. This study aims to evaluate the level of agreement on borrower's credit appraisal as part of credit management risk and practices in the adopted communities of the College of Business and Accountancy, Teacher's College, and College of Arts and Sciences of the University of Bohol.

It specifically seeks to answer the following sub-problems:

1. What is the level of agreement on client appraisal in Micro-finance Institutions for
   1.1 Creditors
   1.2 Borrowers
2. Is there a significant difference between the level of agreement on client appraisal in microfinance institutions?
   2.1 Creditors; and
   2.2 Borrowers?
3. How do creditors and borrowers handle members' loan accounts?
4. How do borrowers benefit from the loans extended to them by the micro-finance institutions?
5. What enhancement program can be proposed based on the result of the study?

METHODOLOGY

This research utilized the mixed method (quantitative and qualitative), employing a standardized tool and self-constructed questionnaire as the primary data collection instrument, which informal interviews will complement.

The focus of this study encompasses three specific barangays within the province of Bohol, namely Lourdes, Cortes, Songculan Dauis, and Bayacabac, Maribojoc. These barangays have been chosen as adopted communities by three colleges affiliated with the University of Bohol: Teachers College (TC), College of Arts and Sciences (CAS), and College of Business and Administration (CBA).

This research utilized standardized questionnaires adapted from a previous study titled "Assessment of Credit Risk Management in Micro Finance Institutions: A Case of Adama Town MFIS, Ethiopia (Torban, 2020). To gather comprehensive insights, the researchers diligently secured permission from the key informants as references in this study, where data gathering is through in-depth interviews. Thoughtfully crafted questionnaires and comprehensive ratio analysis were the tools in the process.

Sharing the questionnaires with the credit committee, credit managers, and community members helped confirm and enhance the information collected. The questionnaire featured a checklist scale from 4 (indicating frequent occurrences) to 1 (indicating clarity), allowing for a detailed examination of microfinance institutions' loan provision and release processes.

Table 1. *Likert-type 4-point Scale*

Legend	Descriptive Value	Meaning	Scale
4	Strongly Agree (SA)	The statement specified a very high agreement about the level of agreement on client appraisal in MFI	3.25-4.00
3	Agree (A)	The statement specified a high agreement about the level of agreement on client appraisal in MFI	2.50-3.24
2	Disagree (D)	The statement specified a high disagreement about the level of agreement on client appraisal in MFI	1.75-2.49
1	Strongly Disagree (SD)	The statement specified a very high disagreement about the level of agreement on client appraisal in MFI	1.00-1.74

The data-gathering procedure involved several phases. The researchers sent a letter to the Vice President for Academics requesting permission to conduct the study and formal letters to the microfinance institutions' mayors, barangay captains, and managers seeking permission for their participation. The researchers conducted parameter testing before distributing the questionnaires. Subsequently, test questionnaires were distributed to the target participants, active members of the community, and creditors of microfinance

institutions. Upon approval, the researchers scheduled suitable times for conducting interviews and gathering participant data. The study included 15 Key Informant Interviews (KIIs) with knowledgeable individuals, such as creditors and borrowers, to learn about credit appraisal practices. Each interview lasted 15 to 25 minutes. Participants received an informed consent form explaining the study's purpose, their voluntary participation, and how their responses would remain confidential. Interviewees were informed of their right to withdraw from the study without consequence. Focus group discussions were facilitated to validate the participants' responses. In-kind gifts were provided to participants for the time spent on this study. The researchers visited them at home if a selected participant was unavailable during the study.

RESULTS AND DISCUSSIONS

Demographic profile of participants. It involves participants from three adopted communities: Lourdes, Cortes; Songculan, Dauis; and Bayacabac, Maribojoc. There were 112 total participants in Lourdes, Cortes, with 23 included in the sample, representing 27% of the sample size. Similarly, in Songculan and Dauis, 122 total participants were recorded, with 25 selected for the sample, contributing 29%. Meanwhile, Bayacabac, Maribojoc had 115 participants, with 23 included in the sample, accounting for another 27%. The study also included CARD Bank, RAFI, ASA, and others. Of 65 total creditors, 15 were sampled, representing 17% of the total respondents. Overall, the study involved 414 creditor and borrower participants, of which 86 were included in the final sample, accounting for 100% of the sample size.

The largest group among the creditors and borrowers is aged 41-60, comprising 46.5%, followed by the 20-40 age group at 33.7%. Those aged 61 and above make up the smallest share at 19.8%. This indicates that most creditors and borrowers are middle-aged, with younger adults also playing a significant role, while older individuals account for a smaller proportion.

Above a third (38.8%) among the the creditors and borrowers are involved in small businesses, followed by housewives at 23.5%. Creditors make up 17.6%, while utility or office staff account for 11.8%. Caretakers and government workers each represent 3.5%, and tricycle drivers constitute the smallest group at 1.2%. This data suggest that small business owners dominate the group, with housewives also forming a significant portion.

Figure 4 represents the The majority, 43%, have been members for 7-10 years, followed by 37.2% with 1-3 years of membership. A smaller portion, 19.8%, have served for 4-6 years. This indicates that long-term members (7-10 years) form the largest group, while newer members (1-3 years) also make up a substantial proportion.

Community members who borrow from MFIs follow a structured process from loan application to disbursement. A ceiling amount is allocated for borrowers at regular intervals, accompanied by a prescribed interest rate.

Borrower selection for a designated period is conducted through a draw-by-lot system during regular meetings. Following this, credit investigations are carried out using the MFIs' computerized systems, which maintain individual borrower ledgers to verify whether applicants remain within their credit limits. Loan disbursement typically occurs within 2-3 days. Borrowers are issued passbooks and borrowing forms to document key loan details, including the principal amount, interest, due dates, and an acknowledgment signature affirming the terms and conditions. Loan repayments occur during regular meetings, at the MFI center, or through collectors. One MFI issues demand letters when there are defaults since co-makers or collaterals were not part of the credit process.

Community borrowers often find ways to fund short-term gaps between regular revenue collections. These funds are used to cover tuition fees, household expenses, housing renovations and improvements, medical needs, insurance, calamity assistance, and entrepreneurial endeavors. MFIs have become a life-saving choice and are available to extend their lending services to these community borrowers.

The reduction of economic hardships is the primary aim of microfinancing institutions. Complementing the main goal, enhancing financial awareness and supporting activities promote sustainable development for low-income individuals, the unemployed, and groups without access to traditional banking systems. (Perways & Krishna, 2017).

Challenges in loan repayment arise when members have other financial obligations, including payables to other lending institutions. Some members seek ways to raise funds by temporarily rendering services such as doing laundry or selling goods, borrowing from their savings, or seeking loans from other creditors.

A move by the MFIs to address the inability to pay within an agreed payment term, they offer a grace period to extend, impose penalties or service charges, implement a guarantor system, where other members step in to cover the due amount if the original borrower has exhausted all means but is still unable to repay. Additionally, collectors are enabled to visit borrowers' homes to secure payments. Borrowers' payment behavior is crucial, as it directly impacts their eligibility and the loanable amount for the next tranche of borrowing.

Level of Agreement on Client Appraisal in Credit Risk According to Borrowers. Table 1.1 presents the evaluation of the Level of Agreement on Client Appraisal in Credit Risk It assesses different strategies and practices used in managing credit risk.

The item "Client assessment is a viable strategy for credit risk management" received the highest weighted mean (WM) of 3.61 and is categorized as Strongly Agree. This suggests that borrowers strongly believe that assessing clients is a critical strategy in managing credit risk. Similarly, "Imposing credit amount limits is a viable strategy in credit risk management" received a WM of 3.48, also categorized as Strongly Agree, indicating strong approval from

borrowers on this strategy.

The item "Failure to assess customers' ability to repay results in credit defaults" has a WM of 3.24, categorized as Agree, reflecting that borrowers agree with the statement, though not as strongly as the previous two items. "Penalty for late payment enhances customers' promise to loan settlement" received a WM of 2.65, categorized as Agree, but it has the lowest rating, suggesting that while borrowers agree with this strategy, they do not see it as highly effective in ensuring repayment.

The item "Credit team's involvement in making decisions regarding credits are essential in reducing credit risk" received a WM of 3.38, categorized as Agree, indicating that borrowers recognize the importance of the credit team's involvement in decision-making. Similarly, "Interest rates charged affect performance of loans in the MFI" received a WM of 3.31, categorized as Agree, suggesting that borrowers believe that interest rates play a role in the performance of loans, but the effect may not be seen as the most significant.

The composite mean of 3.28 falls under the Agree category, suggesting that, overall, borrowers agree with the effectiveness of credit risk management strategies in place, with particular emphasis on client assessment and credit limits.

Borrowers generally agree that various credit risk management practices, such as client assessment, credit amount limits, and the involvement of the credit team, are important. However, they are less convinced about the effectiveness of penalties for late payments in encouraging timely loan settlements. Overall, credit risk management practices are seen as largely effective but with room for improvement.

Level of Agreement on Client Appraisal in Credit Risk According to Creditors. Table 1.2 presents the level of agreement on client appraisal in credit risk management according to 15 creditors (n=15). The evaluation focuses on various strategies and practices used by the Microfinance Institution (MFI) in assessing and managing credit risk.

The item "Failure to assess customers' ability to repay results in credit defaults" received the highest weighted mean (WM) of 3.53, categorized as Strongly Agree. This indicates that creditors strongly believe that assessing customers' ability to repay is crucial in preventing credit defaults. Similarly, "Client assessment is a viable strategy for credit risk management" also received a high WM of 3.47, categorized as Strongly Agree, suggesting that creditors view client assessment as a highly effective strategy in managing credit risk.

The item "Imposing credit amount limits is a viable strategy in credit risk management" received a WM of 3.33, categorized as Agree, indicating that creditors agree with this strategy, but with slightly less conviction than the previous two. The item "Credit team's involvement in making decisions regarding credits are essential in reducing credit risk" received a WM of 3.40, also categorized as Agree, indicating that creditors recognize the importance of the credit team's involvement in decision-making processes.

The item "Penalty for late payment enhances customers' promise to loan settlement" received a WM of 3.00, categorized as Agree, suggesting that creditors agree with the effectiveness of late payment penalties, though it is rated somewhat lower compared to other strategies. Lastly, "Interest rates charged affect performance of loans in the MFI" received the lowest WM of 2.80, still categorized as Agree, but it indicates a weaker agreement with the idea that interest rates significantly impact loan performance.

The composite mean of 3.26 falls within the Agree category, suggesting that overall, creditors agree that client appraisal is a vital strategy in credit risk management. However, there is a stronger emphasis on client assessment and the importance of assessing the ability to repay, while other strategies like penalties for late payments and interest rates are seen as somewhat less significant.

Creditors strongly agree that client assessment and evaluating customers' ability to repay are crucial for managing credit risk, while strategies like imposing credit limits and involving the credit team are also viewed positively. However, the effectiveness of late payment penalties and interest rates in influencing loan performance is less strongly endorsed. Overall, client appraisal in credit risk management is seen as important and effective, with some room for improvement in specific strategies.

Level of Agreement on Client Appraisal in Credit Risk Practices According to Borrowers. Table 2.1 presents the evaluation of the Level of Agreement on Client Appraisal in Credit Risk Practices. It assesses different strategies and practices used in managing credit risk.

The item "The MFI has capable personnel for carrying out client assessment" received the highest weighted mean (WM) of 3.45 and is categorized as Strongly Agree. This suggests that borrowers strongly believe that MFI has capable personnel to assist their clients. Similarly, "Client assessment considers the character of the customers seeking credit facilities" received a WM of 3.35, also categorized as Strongly Agree, indicating strong approval from borrowers on this strategy.

On the other hand, the item "Aspects of collateral are considered while assessing clients" has the lowest WM of 2.56, categorized as Agree, reflecting that borrowers agree that the aspects of collateral are seemingly not considered when MFI assesses their clients.

The composite mean of 3.20 falls under the Agree category, suggesting that, overall, borrowers agree with the effectiveness of credit risk management practices in place.

Level of Agreement on Client Appraisal in Credit Risk Practices According to Creditors. Table 2.2 presents the level of agreement on client appraisal in credit risk practices according to 15 creditors (n=15). The evaluation focuses on various strategies and practices used by the Microfinance Institution (MFI) in assessing strategies and practices in credit risk.

The items "The MFI has capable personnel for carrying out client

assessment" and "Client assessment considers the character of the customers seeking credit facilities" equally shared the highest weighted mean (WM) of 3.67, categorized as Strongly Agree. This indicates that creditors strongly believe that assessing customers' ability to repay is crucial in preventing credit defaults. Similarly, "The use of credit instructions on regular basis improves credit risk management" also received a high WM of 3.53, categorized as Strongly Agree, suggesting that creditors view on providing credit instructions as a highly effective strategy in managing credit risk.

On the other hand, the item "Flexible settlement periods increase loan repayment" received the lowest weighted mean of 2.93, categorized as Agree, suggesting that creditors agree with the effectiveness of flexible settlement periods.

The composite mean of 3.42 falls within the Strongly Agree category, suggesting that overall, creditors agree that client appraisal is a vital strategy in credit risk practices. However, there is a stronger emphasis on client assessment and the importance of assessing the ability to repay, while other strategies like flexible settlement periods is seen as somewhat less significant.

Table 3. *Difference in the of Level of Agreement on the Client Appraisal in Credit Risk Management between Borrowers and Creditors n=86*

Group		**N**	**Mean Rank**	**Sum of Ranks**
Level of Agreement on Client Appraisal	Borrowers	71	43.42	3083
	Creditors	15	43.87	658
	Total	86		
		Level of Agreement on Client Appraisal		
Mann-Whitney U		527		
Z		-0.063		
Asymp. Sig. (2-tailed)		0.950		

p=**0.950**

Result: **Insignificant**

Decision: **Accept H0**

Table 3 shows the results on the difference in the level of agreement on client appraisal as part of credit risk management between borrowers (barangay members) and small financing creditors. The Mann-Whitney U test reveals that the mean rank for creditors (43.87) is slightly higher than that of borrowers (43.42), but the difference is not statistically significant (p=0.950). The test produced a U statistic of 277 and a Z value of -0.063. These results indicate a very high level of similarity between the two groups. Consequently,

the null hypothesis is accepted, suggesting no significant difference in their perspectives on client appraisal. This finding implies that both parties are aligned in their understanding and expectations of the appraisal processes used in credit risk management, indicating consistent criteria and practices perceived by borrowers and creditors

Table 4. *Difference in the of Level of Agreement on the Client Appraisal in Credit Risk Practices between Borrowers and Creditors*
n=86

Group		N	Mean Rank	Sum of Ranks
Level of Agreement on Client Appraisal	Borrowers	71	42.18	2994.50
	Creditors	15	49.77	746.50
	Total	86		
		Level of Agreement on Client Appraisal		
Mann-Whitney U		438.5		
Z		-1.078		
Asymp. Sig. (2-tailed)		0.281		

p=**0.281**

Result: **Insignificant**

Decision: **Accept H0**

Table 4 examines the agreement on client appraisal between borrower barangay members and small financing creditors as part of their credit risk practices. The Mann-Whitney U test reveals no significant difference in client appraisal practices between borrowers (mean rank = 42.18) and creditors (mean rank = 49.77), U = 438.5, p = 0.281. We accept the null hypothesis. These findings suggest that the parties have similar perceptions of the screening process used to assess creditworthiness, indicating aligned understanding and shared expectations in the credit risk assessment practices.

CONCLUSION

Credit risk management and practices are important for enhancing socioeconomic conditions and financial stability in the University of Bohol's adopted villages. The objectives were accomplished by examining the credit risk management tactics employed by creditors and borrowers, identifying discrepancies, and examining the impact on loan performance and repayment trends.

The results highlight the importance of conducting an efficient customer

assessment, which includes evaluating borrowers' capacity to repay, to reduce credit risk. A proactive approach to risk management was demonstrated by the broad consensus among creditors regarding the significance of setting credit limits and including credit teams in decision-making procedures. Nonetheless, tactics like late payment penalties and interest rate effects on loan performance were viewed as having less impact, indicating areas where credit risk techniques need further improvement.

The study also revealed significant insights into borrowers' challenges, such as inconsistent income and limited financial literacy, which often lead to delayed repayments or defaults. The creditors identified operational hurdles like inadequate risk monitoring and recovery procedures. These challenges underscore the need for more robust, adaptive practices to enhance loan repayment rates and reduce default risks.

The study proposes ways to address the gaps through a comprehensive enhancement program that prioritizes financial literacy education tailored to borrowers' needs, adopting flexible repayment schedules aligned with income cycles, and utilizing technology for real-time credit monitoring. Encouraging collective savings groups or cooperatives is also recommended for mutual accountability and community resilience.

RECOMMENDATIONS

1. For more ease, it is recommended that digital data collection methods such as mobile surveys or Google forms be utilized in order to increase participant reach and reduce data collection errors.
2. Webinars on Financial Literacy Programs will be sponsored by the University of Bohol College of Business and Accountancy. The results need to guide appropriate financial literacy programs that focus on particular knowledge gaps among borrowers. Community financial resilience can be improved through training sessions and workshops that focus on effective loan use, savings, and budgeting.
3. The University of Bohol College of Business and Accountancy should be involving local government agencies, educational institutions, and community leaders in the application of credit management techniques, it is possible to guarantee long-term results and improved policy compliance.
4. It is recommended that a platform for borrower-creditor mediation should be established in order to cooperatively handle disputes and repayment issues. In times of crisis, this platform can help borrowers get financial advice or restructure loans by facilitating open communication.
5. Encouraging mutual accountability and financial stability among borrowers can be greatly aided by promoting cooperatives or collective savings clubs in the adopted areas. By combining their resources,

these organizations enable members to build a common financial reserve that they can use when they are in need. Members of the group are encouraged to help one another maintain sound financial habits by serving as both guarantors and savers, which can result in higher payback rates and fewer defaults.

6. Annual visits from the faculty and students of University of Bohol College of Business and Accountancy to their adopted schools as they conduct seminars about credit risk management.

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